



**CITY OF SCOTTSDALE  
TOURISM DEVELOPMENT COMMISSION  
REGULAR MEETING**

**Tuesday, May 19, 2020**

**Meeting Held Electronically  
DRAFT MINUTES**

- PRESENT:** Linda Dillenbeck, Chairperson  
Sherry Henry, Vice Chair  
Jeanne Alspaugh  
Ken McKenzie  
Anna Mineer  
Richard Newman  
David Winter
- STAFF:** Karen Churchard  
Steve Geiogamah  
Ana Lia Johnson
- GUESTS:** Rachel Pearson, Experience Scottsdale  
Rachel Sacco, President/CEO Experience Scottsdale  
Caroline Stoeckel, Experience Scottsdale  
Laura McMurchie, Experience Scottsdale  
Deanne Boynton Grupp, Experience Scottsdale  
Kelli Blubaum, CMP, Experience Scottsdale  
Genia Kehayes, CPA, Experience Scottsdale

**1. Call to Order/Roll Call**

Chair Dillenbeck called the meeting of the Scottsdale Tourism Development Commission to order at 9:02 a.m., and noted the presence of a quorum. She welcomed new Commissioner, Anna Mineer.

**2. Approval of Minutes**

- February 18, 2020 Regular Meeting

Chair Dillenbeck called for corrections to the minutes. There were no corrections.

COMMISSIONER MCKENZIE MOVED TO APPROVE THE REGULAR MEETING MINUTES OF THE TOURISM DEVELOPMENT COMMISSION OF FEBRUARY 18, 2020 AS PRESENTED. COMMISSIONER ALSPAUGH SECONDED THE MOTION, WHICH CARRIED 7-0 WITH CHAIR DILLENBECK, VICE CHAIR HENRY, COMMISSIONERS ALSPAUGH, MCKENZIE, NEWMAN, MINEER AND WINTER VOTING IN THE AFFIRMATIVE WITH NO DISSENTING VOTES.

### **3. FY 2020/21 TENTATIVE TOURISM DEVELOPMENT FUND BUDGET**

Karen Churchard stated that the revenue projection for Transient Occupancy Tax is \$15 million, which compares to the current FY2019/20 adopted budget of \$21.5 million at the beginning of the fiscal year with forecast of \$18.7 million for the remaining of this year. Collection amounts are available through March, however April, May and June remain pending. Expenditures include Canal Convergence at \$550,000, Destination Marketing contract at \$7.5 million, event retention and development, \$775,000, other commitments (carryover) at \$751,750. Transfers out include debt service at \$5.27 million, which includes the new stadium. For Canal convergence, the proposal is for a 25 percent budget reduction, which keeps the event whole, as well as a reduction from ten to four days.

The Destination Marketing budget agreement is comprised of 50 percent of bed tax collections, with the updated budget to be \$7.5 million. In terms of event retention and development, there is a significant budget decrease. The City is in year four of its five-year agreement with Parada del Sol at \$79,400. The City is in year 15 of a 20-year agreement with the Fiesta Bowl. This budget is split with Experience Scottsdale. The Scottsdale Culinary Festival was in its third year, however the organizers have cancelled the event and requested that the City carry the third year into FY 2020/21, which the City's legal department advised is acceptable. The status of the NCAA Men's and Women's Division 1 Golf Tournament is uncertain, however, the contract was never executed. The Treasurer's Office and the City Manager directed that payment for the Arizona Super Bowl Host Committee be deferred from this year to next fiscal year, with the proposal that the first payment be paid in July of 2021 and the second payment in the same fiscal year, January, 2022.

Under One-Year Event Funding agreements, the Scottsdale Jazz Festival was cancelled with the intent to reschedule for November. Because of the cancellation, payment would be deferred to FY 2020/21. Under Event Funding programs for Matching Event Advertising, AZ Bike Week was cancelled and deferred to FY2020/21. The Scottsdazzle event will be retained, with a budget reduction of 50 percent. There is an undesignated, uncommitted balance of \$183,773, which will remain for potential use for the remainder of the year. The subtotal event retention and development total is \$775,000. Under other commitments, the proposal is to reduce Western Week to \$75,000. It is suggested that seasonal entertainment (\$75,000) be eliminated for FY 2020/21. Event production management and fees was moved from the administrative section and a 50 percent reduction is proposed.

The advertising budget has been reduced from approximately \$500,000 to \$180,000. This affects budget items such as ad agency, public relations and Old Town brand advertising. The City was able to pause the Old Town brand advertising for April through June. This

has already been paid for, so there will be extra dollars available for the next fiscal year. Due to current events, there was no need to reorder brochure maps from Experience Scottsdale, saving \$50,000. Some media buys will move forward, however at much lower budget thresholds than is typical. Ms. Churchard recommends spending slightly more. There are also modest funds available from the administrative budget. The City is in phase 1 (assessment phase) of the experiential product development with Experience Scottsdale. In FY 2020/21, the goal is to create experiential products with Scottsdale businesses. This will provide an opportunity to match funding with either Experience Scottsdale or directly with merchants.

In terms of grants and subsidies, the only district that has participated is the Scottsdale Gallery Association, the Art District, including brochures. The program has been recommended to be cut from a funding perspective. Staff recommends retaining Museum of the West matching funds, to assist with the closure struggles. Other contractual services help to support larger events which occur primarily in the entertainment district, including Phoenix Open, Spring Training, Cinco de Mayo and Halloween. Assistance has included restroom, police and barricade costs. The proposed budget reflects a significant funding cut.

Tourism Development Bed Tax Administrative includes salaries and benefits. The transcription budget has been reduced. Under tourism research, the recommendation is to forgo event intercept surveys from WestGroup this year. Other items will essentially remain whole.

Under advertising, some items have been moved to other commitments, due to budget reductions. Public relations has been moved to other commitments at a reduction of one-third. The digital media contract will be brought in-house. Under professional services, Entertainment Solutions has been reduced by 50 percent. The other contractual services budget could be used for experiential assessment and product development, if needed.

Transfers out categories include the stadium, golf course, and Museum of the West as detailed on the monthly proforma. The operating budget allocates 12 percent to the General Fund. There is a \$100,000 Westworld Marketing fee. There is no longer a \$300,000 Old Town Trolley charge. There is a new recommended amount by the City Manager to assist with the Scottsdale Stadium marketing, totaling \$1.9 million. The fund balance at the end of this year is \$6.4 million and is projected to be \$5.7 million at the end of next year. The \$2.5 operating contingency is for uses in this fiscal year.

Chair Dillenbeck opened the meeting to questions. Commissioner McKenzie asked about the methodology used in calculating bed tax collections for FY 2020/21. Ana Lia Johnson stated that the City Treasurer's Office worked closely with the City Tax Audit Office to collect data to give an indication as to how this fiscal year would be concluding as well as the forecast for next fiscal year. A forecast was developed by month, taking into account the slow recovery, which resulted in a projection of \$15 million for FY 21. In response to a request from Commissioner Newman, Ms. Johnson confirmed that staff is able to provide percentage reductions in the forecast. Commissioner McKenzie asked whether Smith Travel has provided any indications of market effects in high season FY2020/21, due to reduced air travel. Mr. Geiogamah confirmed that the City continues to review Smith Travel research data on a day-to-day basis. Rachel Pearson, Experience Scottsdale, added that they just sent out the forecast. The recovery is present, but not

necessarily fast-paced. Commissioner McKenzie commented that the bed tax revenue projections appear to be a little aggressive.

Chair Dillenbeck cited the projection of \$2 million generation over the three months in bed tax and asked whether this is realistic, given that occupancy averaged 10 percent. Ms. Johnson stated that year-to-date collections through April total \$18.2 million. For May and June, the total is anticipated to be \$500,000 additional. This projection reflects a decrease of 86 percent. Chair Dillenbeck asked for confirmation that the updated forecast for FY2019/20 is \$20.7 million. Ms. Johnson confirmed the amount, noting that it includes the Princess lease.

Chair Dillenbeck referred to the new budget and asked whether the percentages allocated for each area were kept whole. Ms. Johnson confirmed that the percentages were in fact, not kept whole in each category. Chair Dillenbeck asked for a list of those that were changed. Ms. Churchard said all were changed, with the exception of the General Fund allocation (12 percent) and Destination Marketing agreement (50 percent).

Chair Dillenbeck sought confirmation that there is a total of \$183,773 to fund events as the budget stands, which includes whether historic events come back for funding as well as community events returning for funding, and only if they are not touching the operating contingency. Ms. Churchard confirmed the understanding, noting that the contingency has been dipped into in the past. Chair Dillenbeck commented that the contingency was designed to be of use during such an occasion as this. She asked that staff research whether there are limitations on its use and requested that guidelines be provided at a future meeting. Ms. Churchard confirmed that the funds may not be used for destination marketing. They may be used for event retention development, other commitments and administration. This can be discussed in more detail at the next meeting.

Chair Dillenbeck asked for clarification that Canal Convergence is coming out of carryover. Ms. Churchard confirmed that technically, it is coming from other commitments as a separate line item. Chair Dillenbeck said she was interested in understanding fellow Commissioners' comments regarding maintaining Canal Convergence for this year versus pausing this year. Commissioner Newman said that while it is a great event, it is difficult to ascertain how successful such an event would be, given the potential of ongoing social distancing as well as a hesitancy for people to attend. The concern is that there is a significant funding commitment with the potential for little return. Commissioner Alspaugh stated that Canal Convergence is what is needed for the City at this time. Commissioner Henry agreed. People will be looking for celebratory opportunities. Commissioner Winter said consideration should be given to scaling it back. Occupancy is down drastically and the \$200,000 expenditure for the event could be put at risk. Commissioner Newman stated that the tourism community is excited to bring people to the City. However, they want to be realistic about it. There is the potential for a draw from people from states such as California, where the lockdown has been extended. Even so, it should not be expected that visitors will be flying in at great numbers.

After discussion, Ms. Churchard stated that she would appreciate a recommendation on the budget in order to be able to report to City Council.

VICE CHAIR HENRY MOVED TO APPROVE THE FY 2020/21 TENTATIVE TOURISM DEVELOPMENT FUND BUDGET AS PRESENTED. COMMISSIONER MINEER

SECONDED THE MOTION, WHICH CARRIED 7-0 WITH CHAIR DILLENBECK, VICE CHAIR HENRY, COMMISSIONERS ALSPAUGH, MCKENZIE, NEWMAN, MINEER AND WINTER VOTING IN THE AFFIRMATIVE WITH NO DISSENTING VOTES.

#### **4. FY 2020/21 CITY EVENT SUPPORT FUNDING PROGRAMS**

- a) Matching Event Funding Program
- b) Community Event Funding Program
- c) Event Venue Fee Program
- d) New Event Development
- e) Multi-Year Community Event Funding Program

Mr. Geiogamah stated that program release will be based upon availability of tourism program funds and may be initially provided to event programs with the highest accountability and return on investment. Approximately 20 events participated in the FY 2019/20 Event Funding Program and produced \$1.8 million in marketing value for the Scottsdale destination. Through the five programs, approximately \$900,000 was spent. He reviewed changes to the programs.

For the Community Event Funding Program, funding eligibility will now begin in year two of the event in Scottsdale. Website funding criteria has been removed. Event funding allocation is 50 percent in advance of the event. The remainder will be provided following contractual compliance. As a comparison, in FY 2019/20, the program allocation is 75 percent pre-event and 25 percent following contractual compliance. For the New Event Development Program, the minimum attendance requirement is now 5,000 compared with the previous requirement of 2,000. For the Multi-Year Community Event Funding Program, the allocation is 50 percent in advance of the event, with 50 percent following compliance. This compares to the previous allocation of 75 percent upfront and 25 percent after compliance.

The Event Venue Fee Program is available to mostly tournament-driven events without much marketing. The proposal is for funds available up to \$2,500, compared to \$5,000 in the past. Events at WestWorld may receive up to \$2,500 for tournaments or events that fit the program criteria for this year. The reduction is in response to the COVID-19 impacts. As such, the proposed minimum room night requirement is 430, for a maximum reimbursement of \$2,500. Also recommended is a review of the average daily rate on a quarterly basis to evaluate program room night requirements.

The Matching Event Funding Program is the oldest program and due to COVID-19 impacts on hotel average daily rate, staff proposes removing the MEAF event room funding threshold requirement.

Chair Dillenbeck welcomed questions from Commissioners. There were no questions.

COMMISSIONER NEWMAN MOVED TO APPROVE THE FY 2020/21 EVENT SUPPORT FUNDING PROGRAMS AS PRESENTED. COMMISSIONER MCKENZIE SECONDED THE MOTION, WHICH CARRIED 7-0 WITH CHAIR DILLENBECK, VICE CHAIR HENRY, COMMISSIONERS ALSPAUGH, MCKENZIE, NEWMAN, MINEER AND WINTER VOTING IN THE AFFIRMATIVE WITH NO DISSENTING VOTES.

**5. EXPERIENCE SCOTTSDALE STRATEGIC RECOVERY BUSINESS PLAN 2020-2021**

Rachel Sacco, President/CEO Experience Scottsdale, stated that the company is in the midst of a significant pivot as the budget has been severely impacted. Total revenues are down more than 38 percent. This led to the necessary layoff of 20 percent of the team. The remainder of the team have taken salary cuts between 20 to 30 percent, with all incentives and increases eliminated. Several programs have been cut so that the focus can remain on functions that will help with the most rapid recovery.

She introduced members of the team:

- Caroline Stoeckel: Vice President of Marketing
- Laura McMurchie: Vice President of Communications
- Deanne Boynton Grupp: Vice President of Tourism
- Kelli Blubaum, Council Member Pineda: Vice President of Convention Sales & Services
- Rachel Pearson, Vice President of Community & Government Affairs
- Genia Kehayes, CPA: Vice President of Finance & Administration

Ms. Stoeckel stated that the goal is to keep Scottsdale in top of mind while inspiring people to travel as soon as possible. The plan is twofold, including the summer campaign. Industry research predicts that people will be more likely to travel by car than plane in the short term. Drive markets will be the most lucrative in the early recovery phase. The local market is Scottsdale's number one market during summertime, with Phoenix being its predominant market year-round. The campaign launches May 22nd, running through Labor Day, with target markets in Phoenix, Tucson and Southern California. Messaging will focus on staycations, summer resort rates and activities for the family. Advertising mediums include radio, billboards and digital. The summer campaign will be followed by the fall and winter campaigns. Drive markets remain the focus and include Los Angeles, San Diego, Denver, Dallas, Tucson, Salt Lake City and Albuquerque. Typical top performing markets, such as New York, Chicago and Canada will be reevaluated later in the year, if budgets permit. The team will also take a look at short haul flight markets, if they return. Media strategies will be modified to deploy mediums which are flexible and make the biggest impacts quickly. This includes radio, digital and television, with no print or outdoor campaigns next fiscal year. A new television commercial will launch in the fall with a concept aligning with consumers' current motivators for travel. There will be an inspiring message, which conveys emotional ties travelers have to Scottsdale.

Ms. McMurchie stated that the job of the communications department is to generate positive publicity for Scottsdale, both on the meetings front and as a leisure destination. The team has called upon relationships with key journalists, particularly those who have been to Scottsdale. Stories have been generated in several key target areas. Last year, the team generated \$48 million in publicity. PR efforts were seen by approximately 6.1 billion people. Moving into recovery, they will work with target markets with a focus on digital outlets. Scottsdale is well positioned for recovery. Summer will include the "It's that Hot," campaign to focus on local drive markets as well as some national media. This will include a satellite media tour targeting ten markets. In fall, the focus will shift to

Scottsdale Showcase, where California journalists will be brought to Scottsdale for 36 hours, during which time they will participate in a trade show, outdoor activities and other destination exploration. Fall will also include the Travel Classics West conference, which brings top editors and 45 domestic writers.

Ms. Boynton Grupp stated that the motto in the months ahead will be to never underestimate the power of human connection. Now is the time that longstanding relationships with travel agents will give Scottsdale a competitive advantage. Some of the world's top travel analysts report that leisure travel will be the first to rebound and that luxury travelers will be the first segment to return. Over the past six weeks, the team has reached out to clients and conducted product trainings. Many have switched their focus from destinations around the world to destinations in the United States. Travelers are seeking authentic experiences, room to roam, and places safe to explore at an individual pace. American Express Travel reported in early May that 80 percent of recent leisure bookings were for domestic vacations and that Arizona was among the top five destinations booked in the last month.

The team has conducted virtual training seminars for over 1,200 travel advisors, who are looking to sell Scottsdale. Since the Governor's announcement that resort pools will be opening, one of the resorts reported that one-third of the calls received have come from travel advisors in Southern California. The theory is that travel advisors are serving as an extension of the sales team. The team also participated in its first virtual trade show with over 200 travel advisors visiting the virtual booth. The next phase will focus on drive markets, within a six to twelve-hour drive. This includes Southern California, Nevada, Utah, New Mexico, Colorado and Texas. The team remains flexible and prepared to pivot at any time. The focus will be pulled back from long-haul markets such as Chicago and Minneapolis until later in the fall. A presence in New York is not expected until early 2021. On an international front, the team plans to use its international representatives on a project basis, to preserve some funds in this area. They are working with receptive operators in gateway cities in order to maintain Scottsdale's presence in international segments. International markets which Scottsdale will be looking to maintaining a presence in include UK, Germany, Canada and Mexico. American Airlines has indicated that the earliest date that flights from London Heathrow are expected to resume is October 7th, 2020.

Ms. Blubaum stated that the team continues to work closely with meeting professionals, still fielding RFPs. While lead volume is down, they are encouraged by the interest and inquiries received. Thirty percent of RFPs over the last week are for programs that want to operate in 2020. There is also strong interest for 2021 (56 percent). Efforts will focus locally with staff focus in certain areas of expertise, such as the association market in Arizona, medical meetings market in Arizona as well as insurance and financial industry. The team is looking to develop an incentive program for the association market, which will attract larger national or regional association meetings. Scottsdale is well-positioned for physical distancing, which planners will have to take into consideration. The team is developing virtual experiences, which will allow meeting professionals to see what Scottsdale has to offer from the comfort of their remote location.

Ms. Sacco welcomed questions. Commissioner Alspaugh congratulated the team on its agility to navigate the current situation. She emphasized the importance of leveraging virtual tools in the marketing process. She referred to frontline and healthcare workers

and asked if the team is working with local hotels and resorts on discounted packages for workers who will be in need of a vacation in the coming months. Ms. Sacco stated that this is an excellent suggestion. HonorHealth President and CEO, Todd LaPorte, sits on the Experience Scottsdale Board of Directors. A special board meeting was held yesterday, including a discussion of ideas from Mr. LaPorte. Experience Scottsdale staff also communicated its intent to move back into a marketing and sales mode. They have also set up meetings with each Scottsdale City Council member, City Manager and City Council candidates, to detail the program of work prior to final submission for approval on June 16th.

Commissioner Newman concurred with Commissioner Alspaugh's suggestion to recognize and celebrate the efforts of healthcare professionals and frontline workers. Commissioner Winter thanked the team for the presentation, professionalism and support of the community. Chair Dillenbeck thanked the team for their work through an incredibly difficult time.

COMMISSIONER ALSPAUGH MOVED TO APPROVE THE FY 2020/21 EXPERIENCE SCOTTSDALE STRATEGIC RECOVERY BUSINESS PLAN AS PRESENTED. COMMISSIONER WINTER SECONDED THE MOTION, WHICH CARRIED 7-0 WITH CHAIR DILLENBECK, VICE CHAIR HENRY, COMMISSIONERS ALSPAUGH, MCKENZIE, NEWMAN, MINEER AND WINTER VOTING IN THE AFFIRMATIVE WITH NO DISSENTING VOTES.

## **6. STAFF REPORTS**

- a. Staff Bed Tax Collection Report**
- b. Staff Bed Tax Hotel Classification Report**
- c. Bed Tax Proforma**
- d. Program Updates**

Mr. Geiogamah referred Commissioners to their packets for the monthly report. A new specific Scottsdale tab was added to the Smith Travel Report. Bed tax collections were down 67 percent in March and down 1 percent year-to-date through March. Year-to-date miscellaneous retail tax collections were up 23 percent and restaurants were up four percent. Resorts are down 8.3 percent, full service properties down 7.3 percent and limited service properties down 7.8 percent. Other transient non-hotel classifications were up 46.8 percent. For the Smith Travel Report, overall occupancy was down 4.9 percent. Average daily rate was slightly up at \$202.93. RevPAR was down 5.6 percent. For the segmented trend report, transient occupancy was 39.1 percent (down by 2.4 percent). group occupancy was down 8.4 percent. Downtown occupancy was down 2.7 percent. Mid-Scottsdale was down 4.6 percent and northern properties were down 7.6 percent.

## **7. PUBLIC COMMENT**

There were no members of the public who wished to speak.

## **8. Identification of Future Agenda Items**



Mr. Geiogamah stated that staff will continue to review the budget. In the coming months, there should be data from Longwoods, Travel USA and return to sample. There has also been a request to follow up on the operational contingency amount. The standard audit review for the Commission is on June 15th. Ms. Churchard stated that the June meeting may include a more detailed update on Canal Convergence.

**9. Adjournment**

With no further business to discuss, being duly moved by Commissioner Newman and seconded by Commissioner Alspaugh, the meeting adjourned at 10:41 a.m.

AYES: Chair Dillenbeck, Vice Chair Henry, Commissioners Alspaugh, Henry, McKenzie, Mineer, Newman and Winter

NAYS: None

SUBMITTED BY:

eScribers, LLC